

FEATURES AND TRENDS OF THE AGRICULTURAL COOPERATIVE SYSTEM IN THE EUROPEAN UNION

CARACTERISTICI ȘI TENDINTE ALE SISTEMULUI COOPERATIST DIN AGRICULTURA UNIUNII EUROPENE

MORARU R.A.^{1*}, BODESCU D.¹, ȘUMOVSCI D.C.²

*Corresponding author e-mail: ramoraru@yahoo.com

Abstract: *The development of the cooperative system in the agriculture of the EU countries was achieved by permanent adaptation to the socio-economic conditions specific to the territory in which it was born. As a result, community agricultural cooperatives have many common characteristics but also particularities. The changes in the agricultural and agri-food sectors have led cooperatives to focus on adopting strategies that can keep them competitive: introducing high quality standards, branding own products, emphasizing the process of vertical integration, multiplying processing operations, accepting as members farmers from outside the host countries and even abandoning the legal status of a cooperative.*

Key words: cooperatives, agriculture, European Union, trends

Rezumat: *Dezvoltarea sistemului cooperatist din agricultura țărilor UE s-a realizat prin adaptare permanentă la condițiile socio-economice specifice teritoriului în care s-a născut. Ca urmare, cooperativele agricole comunitare au multe caracteristici comune, dar și particularități. Schimbările din sectoarele agricol și agro-alimentar au determinat cooperativele să se concentreze pe adoptarea de strategii care să le poată menține competitive: introducerea de standarde înalte de calitate, brandingul produselor proprii, accentuarea procesului de integrare verticală, multiplicarea operațiunilor de procesare, acceptarea ca membri a fermierilor din exterior. țările gazdă și chiar abandonarea statutului juridic de cooperativă.*

Cuvinte cheie: cooperative, agricultură, Uniunea Europeană, tendințe

INTRODUCTION

The agricultural cooperation and association in the EU was born from the need to satisfy some social and economic requirements of farmers, contributing to the increase of labor productivity and a better distribution of production, having, at the same time, deep implications in the technical and socio-economic modernization of the rural environment (Frațilă *et al.*, 1994; Leonte, 2000). The priority goal of establishing the main organized forms of agricultural cooperation

¹“Ion Ionescu de la Brad” University of Life Sciences, Iasi, Romania

² Mountain Economy Center CE-MONT Vatra Dornei /INCE/ Romanian Academy

- the cooperatives - consists both in promoting the economic interests of the members and in improving their social and cultural conditions (Kuschka, 1994). In Europe, the evolution and continued expansion of the EU has determined a new competitive environment for agriculture, to which the community cooperative system must constantly adjust (Ermanno *et al*, 2013).

MATERIAL AND METHOD

The material used is exclusively bibliographic, being studied and analyzed data and information obtained from national and international published literature, such as: specialized books, doctoral theses, academic news articles, scientific papers, etc. The research method is specific to economic research: collection and selection of material, processing, synthesis and conclusions.

RESULTS AND DISCUSSIONS

The cooperative system developed in the agricultural sector of the EU presents a series of main specific features which, in essence, are the same for all types of agricultural cooperatives of the EU member states:

1) At the base of cooperative structures in community agriculture are private ownership and the primary organization of agriculture in the form of family farms (Buchi and Castellani, 1994; Moraru, 2008), of which promotion through the policy of Western governments has intensified the relations of cooperation and association in modern agriculture and allowed the development of cooperation along the agri-food chains (Aschhoff *et al.*, 1963; Moraru, 2008).

2) Cooperation is based on the establishment of permanent or temporary relationships between agricultural producers and between them and economic agents upstream and downstream of agricultural production (Frațilă *et al.*, 1994). The types and forms of cooperation can be simple or complex and can be established horizontally as well as vertically. In the case of permanent cooperative relations, the activity is organized in cooperatives and cooperative associations, taking place by respecting the cooperative statute and the specific legislation in force; in the case of temporary relations, the activity is carried out on the basis of the conclusion of cooperation contracts with various economic agents (Aschhoff *et al.*, 1963; Kuschka, 1994). Horizontal agricultural cooperation takes place between economic agents that perform homogeneous activities (processing, supply, marketing) at the level of each link of the agri-food chain (at primary, secondary and tertiary levels), while vertical cooperation is carried out between individual or associated farmers who perform different activities along the agri-food chains (Buchi and Castellani, 1994; Frațilă *et al.*, 1994; Ermanno *et al*, 2013).

3) The community agricultural cooperative is an enterprise with a distinct legal status established by the free association of several natural persons (farmers) in order to organize private economic activities to meet the requirements of its members. The members of the cooperative contribute to the formation and

development of its activity with material, financial and human resources, with the aim of obtaining economic advantages proportional to this contribution (Buchi and Castellani, 1994; Comision of the European Communities, 2001). Surplus made by cooperatives following the economic activity can be used for different purposes: for the establishment of voluntary reserves of the cooperative or for refinancing (in all EU countries), as well as for the formation of legal deposits (Belgium, France, Germany, Spain, Greece), payment of dividends (Belgium, France, Germany, Italy, Denmark, Ireland, Spain), or issuing free shares to members (Ireland) (COGECA, 1990; Leonte, 2000).

4) The participation of the members in the management of the cooperative is done in a democratic manner (usually applying the "one man-one vote" rule in the primary cooperatives, respectively the proportional vote in the secondary ones), the most representative governing body being the General Meeting of the Associates (Kuschka, 1994; Frățilă *et al.*, 1994). The Board of Directors deals with the administrative issues of the cooperative, being elected by the members, and for the execution of current operations the cooperative can hire a number of employees (Leonte, 2000; Moraru, 2008; Grashuis and Su, 2019;).

5) The development of the cooperative system in the EU was based, first of all, on the adoption of an appropriate legislative framework. The specific laws for agricultural cooperation in each EU country are subordinated to the provisions of either the Civil Code (e.g.: Italy, Netherlands) or the Commercial Code (e.g.: Belgium, Germany, Luxembourg), but there are also situations when they are even subordinated to both Codes (e.g.: France) (Ermanno *et al.*, 2013). The normal and effective development of cooperation in agriculture can also take place without specific legislation in the field (the case of Denmark) (Frățilă *et al.*, 1994; Kuschka, 1994; Leonte, 2000). The decades-long experience of EU member states pointed out that overly restrictive legislation regarding cooperatives can have a negative impact on their viability (Comision of the European Communities, 2001).

6) Farmers in EU countries can simultaneously be part of several cooperatives, but which are not of the same type but carry out different activities (supply, marketing, processing, lending, etc.), this fact underlining the role and importance of agricultural cooperatives (Moraru, 2008; Gonzalez R.A., 2018). In order to become a member of an agricultural cooperative, in some EU countries it is necessary that applicants contribute financially (Germany, France, Ireland, Italy), while in others this is not required (Denmark). There are also states, such as France and Portugal, where the statute of the cooperative expressly stipulates the condition that the members must necessarily be farmers or carry out activities closely related to the cooperative (Leonte, 2000; Grashuis and Su, 2019).

7) Agricultural cooperation in the EU is primarily manifested in activities upstream and downstream of primary production, while the production of agricultural raw materials is usually carried out at the level of the individual household, and its responsibility falls to the producer (Frățilă *et al.*, 1994). With the exception of the former communist countries, Spain and isolated in some regions

of Italy, agricultural cooperatives intended for primary production have not been organized on the territory of the EU, in which the members bring the agricultural lands into the cooperative and work them together (Moraru, 2008).

8) In the case of marketing cooperatives, the members (farmers) must necessarily fulfill certain strict production delivery conditions (Van Bakkum, and Van Dijk, 1997). The goal is to deliver agricultural raw material to the processing plants in the volumes and of the specified quality, so as to achieve a perfect coordination of the activities in the different stages of the processing chain (Kuschka, 1994; Comision of the European Communities, 2001). The obligation to deliver to the cooperative all or almost all of the agricultural production obtained by the farmer can be stipulated either in the law of the cooperative (Spain, Greece) or in the statute of the cooperative (Portugal, France, Denmark) (COGECA, 1990; Nilsson *et al.*, 1997; Leonte, 2000).

The challenges faced by European countries in recent decades (globalization of markets and trade liberalization, changes in consumer behaviour, technological advances and structural changes in the food industry) have caused the EU agricultural market to be volatile and unpredictable. As a result, the cooperative system in EU agriculture must show great flexibility and adapt to a new competitive environment, to new trends in the evolution of the agri-food industry and to new markets:

a) A current trend in the European agro-food industry is the increase in requirements for product quality. In the last 30 years, the agricultural sector faced several serious problems that generated essential changes in the agri-food chain: bovine spongiform encephalopathy, avian influenza, swine fever, use of hormones, etc. The result was that the trust of consumers and processing companies in farmers and their cooperatives was greatly diminished ((Kyriakopoulos, 1998; Candemir *et al.*, 2021). In order to restore this trust, many of the cooperative enterprises have initiated an intensified certification process and introduced some high quality standards, along the entire agri-food chain being extended and perfected various control instruments (Van Bakkum and Van Dijk, 1997; Nilsson *et al.*, 1997; Candemir *et al.*, 2021).

b) A strategy adopted by a growing number of community agricultural cooperatives consists in emphasizing the process of vertical integration and multiplying processing operations. In this way, cooperatives aim, on the one hand, to maximize profit for their members, and on the other hand, to get closer to final consumers by making technologically advanced products (Nilsson *et al.*, 1997; Van Bakkum and Van Dijk, 1997; Gonzalez., 2018).

c) Another trend registered especially by the cooperatives that work downstream of the processing chain is represented by the marking of their own products. This came as a reaction to the private labeling strategies of retailers, representing a protective measure for agricultural producers (Kyriakopoulos, 1998; Nilsson *et al.*, 1997; Höhler and Kühl, 2014).

d) Ever since the end of the 20th century, the agricultural cooperatives in the EU states have also accepted a modest number of members from other EU countries, but lately this process has greatly increased (Nilsson *et al.*, 1997). To complement their domestic business, a large number of agricultural cooperatives have bought factories and production machinery abroad or opened branches in various other EU states, establishing business relationships with farmers in the host country. (Kyriakopoulos, 1998; Höhler and Kühl, 2014). In this way they gained new marketing channels for members' products, the volume of business increased and they were able to carry out new activities that supplemented the operations on the home market (Kramer, 2000; Nilsson *et al.*, 1997).

e) In the European countries with a market economy and a modern agriculture, the need to establish new cooperatives no longer appeared, but the need to develop the existing ones. This was achieved, mainly, through mergers and acquisitions of other companies, both cooperative and non-cooperative, the acquisitions taking place within the same business or within related businesses (Nilsson *et al.*, 1997; Van Bekkum, and Van Dijk, 1997). At the same time, the agricultural cooperative system of the economically developed EU states manifests the intention to change the organizational structure. Thus, from the organization on two or three levels, an organizational system on a single level emerges, namely the middle one. Through mergers and acquisitions of new cooperative enterprises, large regional cooperatives are born and are becoming more and more independent from national cooperative organizations (Kramer, 2000; Nilsson *et al.*, 1997). Moreover, specialists predict that in the near future, most of the large cooperative enterprises in the EU will pass from the legal status of a cooperative to that of a capitalist commercial company. This transition can already be observed in the case of marketing cooperatives, whose development follows the gradual conversion towards capitalist enterprises (Kramer, 2000).

CONCLUSIONS

The EU agricultural cooperative system is characterized by the following fundamental elements: the family farm is the basis of agricultural cooperation; members participate directly in the collective democratic management of the cooperative; farmers can be members, simultaneously, in several agricultural cooperatives with different fields of activity; the agricultural association is made vertically and horizontally and is oriented towards the downstream and upstream activities of primary production itself; farmers have to comply with some strict conditions for the delivery of production to cooperatives.

The main trends registered by the agricultural cooperative movement in the EU countries are related to: the introduction of high quality standards for the production marketed by cooperatives; focusing the cooperatives towards the external market and product marking; expansion and development of existing cooperatives through mergers and acquisitions; multiplying agricultural

production processing operations and emphasizing vertical integration process; emphasizing the internationalization process of agricultural cooperatives;

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